



# USING BALANCED SCORECARD FOR MEASURING PERFORMANCE IN SMES: THE CASE OF MICRO BUSINESSES IN INDONESIA

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## ABSTRACT

(250 – 350 words)

**Introduction/Main Objectives:** SMEs as the drivers of economic growth often face growth problems, therefore it is important to assess their performance in order to know how well they have performed and what actions need to be improved to perform better in the future.

**Background Problems:** Performance measurement plays a crucial role in supporting the growth of all businesses of all sizes including Small and Medium Enterprises (SMEs). However, there is a gap between the importance of performance measurement and its practice among SMEs. This study aims to assess the performance of SMEs in Indonesia particularly the micro-businesses that benefit from the government development program.

**Novelty:** This is the first study analyzing the performance measurement of Indonesian SMEs with less structured management which also get direct benefit from the government development program using the Balanced Scorecard approach.

**Research Methods:** The method adopted is the Balanced Scorecard in combination with the SWOT analysis and ANP model. A group of SMEs is selected as a case study in this research and a set of questionnaires is used to collect data from the owner-managers.

**Findings/Results:** The findings reveal that the performance of the SMEs is still poor especially in the area of learning and growth and internal business process perspectives. However, they show a fairly good performance concerning the customer and financial perspectives.

**Conclusion:** It can be concluded that in overall the performance of the SMEs in Indonesia is still moderate even though they get substantial support from the government.

**Implementation Potential:** It is suggested that SMEs need to improve their performance by improving the profit margin and customer base while making corrective actions in product innovation and workers' skills and competencies. It also implies that governments must give serious attention in conducting policies and programs to foster the growth of SMEs while undertaking a continuous SMEs performance measurement.

**Keywords:** SME; performance measurement; balanced scorecard.

**JEL Classification:** M1

## 1. INTRODUCTION

The contribution of Micro Small and Medium Enterprises (MSMEs) to economic growth across the globe is undeniable. A number of studies have found that the importance of MSMEs lies in the key function they have in creating employment, promoting innovation, productivity, and competitiveness, and contributing to poverty alleviation (Arifin et al., 2021; Khan, 2022). In Indonesia, SMEs have become the backbone of the national economy. According to the data of Indonesia's Coordinating Ministry for Economic Affairs (Kemenko Perekonomian RI, 2025), there were approximately 64 million MSMEs in 2024, which accounted for more than 99% of total enterprises, employed 97% of total workers, and contributed to more than 60% of national Gross Domestic Product (GDP).

Despite their significant contribution to economic development, SMEs indicate slow growth and even a high failure rate, especially at their initial stage. Experts argue that more than 50% of MSMEs in Indonesia fail in their first three years (Rahadi, 2019). In addition, according to Indonesia's Ministry of Cooperatives and SMEs (Kemenkop RI, 2019), it is difficult for SMEs in Indonesia to evolve into a larger scale business for some reasons. Many researchers have identified barriers that hinder the development of SMEs in developing countries, such as Indonesia, in which some of them emphasize management issues such as poor managerial skills that lead to

low managerial practices including the lack of performance measurement implementation (Jones et al., 2024; Prakash et al., 2021).

Measuring performance is essential for any organization including SMEs. As argued by Murphy (2020), a business needs to evaluate and understand its performance in order to survive and develop in a highly competitive environment. Performance measurement enables SMEs to know their current position and conduct any corrective actions for improvement (Rojas-Lema et al., 2021). Moreover, SMEs' performance measurement is also needed by the government as the policy-maker to assess the effectiveness of its policy particularly in overcoming the development issues faced by SMEs (Adam & Alarifi, 2021).

However, there is still a significant gap between the theory that highlights the importance of performance measurement and its practice among SMEs. Most SMEs do not engage in formal performance measurement due to several reasons such as lack of human and capital resources, the inadequacy of managerial skills and knowledge, and a view of performance measurement as a complex bureaucratic procedure, thus, it is more suitable for larger enterprises (Garengo et al., 2005; Waśniewski, 2021). The absence of performance measurement not only occurs among SMEs but also within the government. Regardless of the substantial defined policies and programs conducted to foster the performance of SMEs, the government of the Republic of Indonesia never reported the performance of SMEs comprehensively (Ernita, 2015).

This study specifically addresses the importance of performance measurement for SMEs in Indonesia since only a handful of studies focus on assessing the performance of Indonesian SMEs particularly those that benefit from the government development program. This study also focuses on a group of micro-enterprises since to the extent of the researcher's knowledge, the majority of the research uses a case study on a single business with more structured management, excluding the micro-businesses with less than five employees and more unstructured management. The Balanced Scorecard (BSC) has been used in this study due to its comprehensiveness as a performance measurement tool in which it integrates both financial and non-financial measures, overcoming the weakness of traditional measurement that only focuses on past performance or short-term objectives (Basuony, 2014; Hakimpoor & Tat, 2011; Lonbani et al., 2015; Suprpto et al., 2009). It is expected that the result of this study can give significant input not only for SMEs

in evaluating their current position and taking more appropriate actions to grow but also for the government to evaluate and create a more effective policy regarding SMEs' development.

## **2. LITERATURE REVIEW**

### **2.1 Characteristics of SMEs**

The term SME itself is most often used to describe small-scale industries, but there is no universal consensus for the definition of this term and it varies in most countries. Even though there is a large volume of published studies attempting to define SMEs based on different characteristics, factors such as the number of employees, total amount of assets, the amount of annual sales, and production capacity are the characteristics that commonly used to describe the nature of SMEs (Anderson, 2011). In Indonesia, according to Government Regulation No. 7 Year 2021, SMEs refer to micro, small, and medium enterprises, which is defined by assets (excluding land and buildings) and annual sales.

SME is often associated with informal management process, which mainly depends on the management style of the manager who often is also the owner. Since the owner-manager of SMEs typically encounter a lack of managerial skills and competences, the management of SMEs often adopts a learning-by-doing approach, focuses only on a short-term objective, and relies mainly on a day-to-day operation and financial measurement (Cocca & Alberti, 2010; Garengo et al., 2005). Even though it can give a positive impact in terms of flexibility and adaptability, it can also be a disadvantage at the same time. Lack of managerial expertise and organizational capabilities indicates the inability of the owner-manager to appropriately plan and control the business, resulting in a poor management practice which causes SMEs failures within their first five years (Basuony, 2014; Florea & Florea, 2014; Garengo et al., 2005).

### **2.2 Performance Measurement in SMEs**

The importance of performance measurement in SMEs has raised interest among researchers to conduct more studies on this subject. As concluded by Rojas-Lema et al. (2021) in their systematic literature review of performance measurement in SMEs on 105 articles from 2006 to 2019, there is an increasing number of studies on the design, implementation, and use of

performance measurement in SMEs. In contrast, Heinicke (2018) in his literature study on 34 articles in 98 top-tier journals found that there is still limited study focusing on performance measurement in SMEs, particularly on its usage and the influencing factors. On the other hand, several studies have developed frameworks to support the implementation of performance measurement within SMEs, assisting them in making better decisions, being more competitive, and performing better (Jamil & Mohamed, 2011; Sousa & Aspinwall, 2010). These findings give contribute to the existing literature by providing empirical research and models in the field of performance measurement of SMEs.

However, there is still a lack of performance measurement practices among SMEs. Several studies have investigated that SMEs rarely engage in formalized managerial practices including performance measurement (Garengo et al., 2005; Sousa et al., 2006; Waśniewski, 2021). There are substantial barriers that hinder the use of performance measurements in SMEs, such as limitation of resources in terms of human, capital, and technology and inadequacy of managerial skills and knowledge (da Costa et al., 2019; Garengo et al., 2005). Moreover, other studies argue that those constraints not only hinder the implementation of performance measurement in SMEs but also make it more complicated and problematic (Hakimpoor & Tat, 2011; Jamil & Mohamed, 2011). Given the problematic issues of the implementation of performance measurement within SMEs, it has been suggested that the performance measurement system should be designed and adjusted to the SMEs' context (Cocca & Alberti, 2010; Jamil & Mohamed, 2011). It must be resource-effective and dynamic and flexible enough to adapt to the frequent changes (Hudson et al., 2001). In addition, effective performance measurement in SMEs must be aligned to organizational strategy and cover all performance indicators, both financial and non-financial (Hakimpoor & Tat, 2011; Jamil & Mohamed, 2011).

### **2.3 The Use of the Balanced Scorecard in Measuring Performance of SMEs**

The Balanced Scorecard (BSC) was originally presented by Kaplan and Norton (1992) as a measurement tool. Since that time, it has been evolved into a strategic management tool used by firms to formulate and implement strategy, create alignment of operations, and communicate with stakeholders (Oliveira et al., 2021). The Balanced Scorecard offers a comprehensive measurement

tool needed by an organization in a rapidly changing and competitive environment (Kaplan & Norton, 1992). It provides a framework for a firm to translate its strategy into a coherent set of performance objectives and measures, organized into four different perspectives: financial, customer, internal business process, and learning and growth, representing three main stakeholders of an organization which is shareholders, customers, and employees (Kaplan & Norton, 1996).

Even though some researchers have criticized the limitations of the BSC both in concept and in practice due to the absence of time dimension and the ignorance of competition, technological development, and some important stakeholders such as supplier and competitor (Abdalla et al., 2022; Awadallah & Allam, 2015), the BSC has been widely accepted in all types and sizes of business including SMEs (Cano et al., 2017; Muraba et al., 2024; Suprpto et al., 2009). It has proved that the BSC and its associated management processes can benefit SMEs as it benefits large companies (Andersen et al., 2001), even though it would be different to a certain extent since they operate at different levels of uncertainty (Lonbani et al., 2016).

However, some researchers question the compatibility of this tool with the SMEs' characteristics in terms of resource limitation, lack of capabilities, and vulnerability to external uncertainty (Giannopoulos et al., 2013; Lonbani et al., 2015; Rompho, 2011; Todorut et al., 2013). Therefore, the BSC cannot be treated as a template that can be deployed by any business in general. Different market conditions, business strategies, and competitive environments where the business operates should be considered when designing the performance measures (Kaplan & Norton, 1993; Lonbani et al., 2016).

### **3. METHOD**

#### **3.1 Research Design**

A case study was suitable for this research because it is an empirical investigation of a recent phenomenon within its actual context, particularly when there is no clear evidence of the relationship between the phenomenon and the context (Yin, 2014). It also allows a holistic and more detailed investigation of a case at a particular time and place (Daymon & Holloway, 2010; Robson, 2011).

The selected case study in this research was a group of micro-businesses in the culinary sector, operating in a culinary tourism site provided by the local government in Tomohon, Indonesia. The location itself was established in 2014 as a government program with the objective to enhance the development of SMEs, particularly micro-enterprises in the food industry since food is the biggest expenditure of the local community. For the purpose of this study, 12 businesses have been selected as the case study. Each business records a total turnover of fewer than 50 million rupiahs a year and has a maximum of 4 workers. All these businesses are family-owned SMEs with unstructured managerial systems that guide the entire business operation. Apart from the convenience factor, the main reason why this group of businesses was chosen as the case study in this research was due to its appropriateness with the context of the study. The availability of the data, the consistency, and the age of the business have been also taken into consideration.

### **3.2 Data Collection**

Both primary and secondary data are utilized for the purpose of this study. The secondary data was collected through a literature study on relevant books, article journals, and online academic databases to have more understanding on the concept of performance measurement using the Balanced Scorecard in SMEs. The primary data was collected through a questionnaire survey on the owner-managers of the SMEs within the case. Questionnaires were used for both pairwise comparison and performance evaluation in order to get the priority and assigned value for each strategic objective. A subjective approach for measuring SMEs' performance was adopted in this study due to the unavailability of accurate financial data. In addition, the self-assessment of performance by the owner-managers of the SMEs can be more relevant and accurate since they are the key players in SMEs' business operations (Popa & Miricescu, 2015).

### **3.3 Data Analysis**

In measuring the performance of the SMEs, the data analysis technique was based on the proposed method by Quezada et al. (2019) in which they combine the Balanced Scorecard with the Strengths-Weaknesses-Opportunities-Threats Analysis (SWOT) for measuring the performance of a company in food industry. The analysis was started with the identification of

strategic objectives. For the purpose of this study, the SWOT analysis conducted by Mawuntu and Aotama (2019) on the same group of businesses (see Table 1) was utilized in generating the strategic objectives. In addition, the strategic objectives were also adjusted with the context of the SMEs within the case. They are then grouped into four perspectives of the BSC: financial, customer, internal business process, and learning and growth.

The next steps were building the strategy map according to the cause-effect relationship of the strategic objectives and assigning the value of each perspective and strategic objective through the pairwise comparison matrices. The results of the pairwise comparison were calculated with the Analytical Network Process (ANP) method proposed by Saaty (2004) and the software used was the Super Decision Version 2.10. This process resulted in the priority of each perspective and strategic objective.

**Table 1. SWOT Matrix for Micro Businesses in Culinary Tourism Site**

	Internal	Strengths	Weakness
		1. Strategic business location	1. Comfortable
		2. Product diversity	2. Lack of product innovation
		3. The price of the product is relatively cheap	3. Owner managerial ability is still lacking
		4. The capital needed is not large	4. There is not financial record
External		5. The target market is very broad	5. Product marketing is still lacking
Opportunities		Strategi S-O	Strategi W-O
1. The development of Tohomon City is very rapid		1. Increase production capacity to meet consumer demand (S2, S5, O1, O2, O5)	1. Provide adequate supporting facilities (W1, O1, O2, O4)
2. Development of information technology		2. Maintain an affordable product price (S3, S4, S5, O3, O5)	2. Following management training for business owners (W3, O2, O4)
3. A large number of suppliers are available			3. Perform simple financial records (W4, O2)
4. Government support and assistance			
5. There is credit for small businesses with low interest			
Threats		Strategi S-T	Strategi W-T
1. Changes in people's lifestyles and tastes		1. Collaboration with suppliers of raw materials (S1, S3, T2, T3, T5)	1. Improve product quality and Innovation (W2, T1, T2, T4, T5)
2. Substitutions goods are high			
3. Fluctuations in raw material prices			
4. There are no obstacles for new business to enter			
5. High bargaining power of buyers			

The final step in the data analysis process was the performance measurement. This step begins with the evaluation of the achievement of each strategic objective through a combined self-assessment of the performance of the owner-managers. The method proposed by Sondakh (2017) was adopted in this part, while the assigned evaluation value for each objective follows the scale proposed by Cheng et al. (1999), which ranges from 0 (very low performance) to 1 (very high performance). The calculation of the overall performance score then used the performance index formula (Quezada et al., 2019) as follow:

$$\text{Performance Index} = \sum i_w i_x$$

$w_i$  = priority of strategic objectives  $i$

$x_i$  = evaluation value of strategic objectives  $i$

The output of the overall performance measurement is compared on a scale of 100 (or in percentage) and assess based on the performance criteria proposed by Rangkuti (2011) as can be seen in Table 2.

**Table 2. Performance Valuation Scale**

Performance	Category	Total Score
<b>Excellent</b>	AAA	$\geq 95\%$
	AA	$80\% < \text{TS} < 95\%$
	A	$65\% < \text{TS} < 80\%$
<b>Moderate</b>	BBB	$50\% < \text{TS} < 65\%$
	BB	$40\% < \text{TS} < 50\%$
	B	$30\% < \text{TS} < 40\%$
<b>Poor</b>	CCC	$20\% < \text{TS} < 30\%$
	CC	$10\% < \text{TS} < 20\%$
	C	$\text{TS} < 10\%$

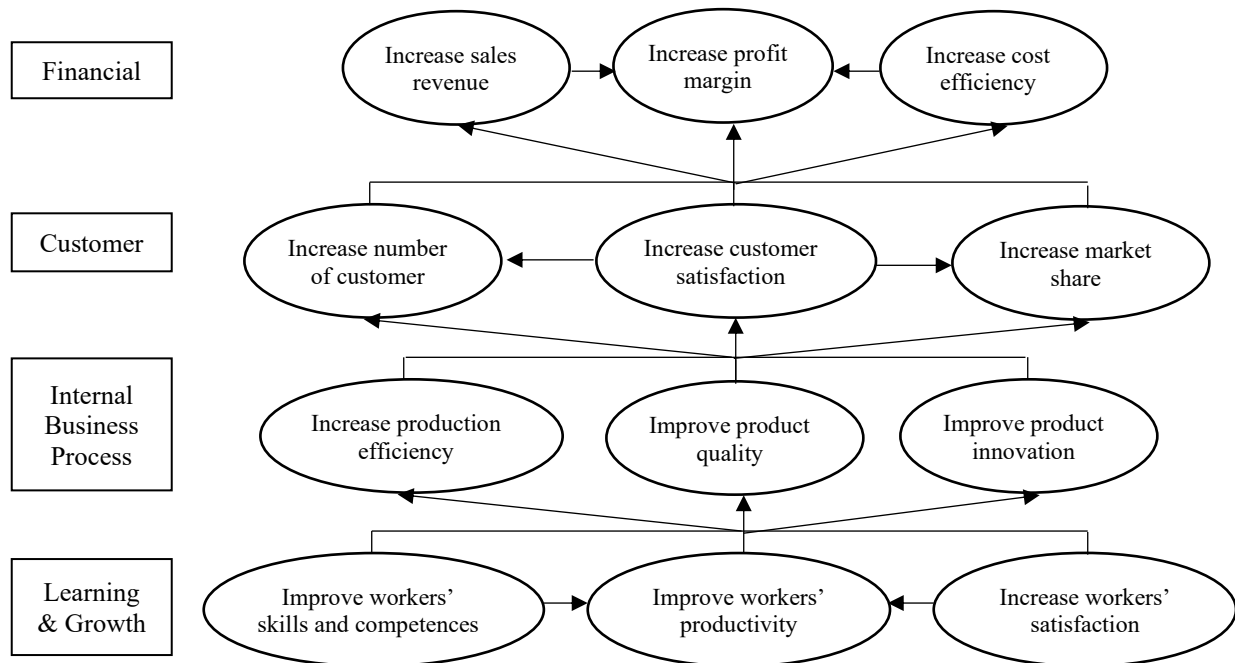
## 4. RESULTS AND DISCUSSION

### 4.1 Identification of Strategic Objectives

The strategic objectives in this study were derived from the SWOT analysis conducted by Mawuntu and Aotama (2019) and the context of the SMEs under study. The identification process

resulted in 12 strategic objectives, which have been grouped into four perspectives of the Balanced Scorecard. The financial perspective consisted of three strategic objectives: increase sales revenue, increase cost efficiency, and increase profit margin. These objectives are derived from the main goal of the SMEs which is to increase the shareholder value in this case the owner-managers. These objectives also were selected following the available financial data. For the customer perspective, there are three strategic objectives namely increase the number of customers, increase customer satisfaction, and increase market share. These objectives are derived from the SWOT analysis specifically on the strategies that focus on satisfying the broad market demand. The internal business process perspective has also three strategic objectives: improve production efficiency, improve product quality, and improve product innovation. These objectives were determined concerning the main strategies of the SWOT analysis which emphasize production and operation. The learning and growth perspective with its three strategic objectives, namely improve workers' skill and competencies, productivity, and satisfaction was based on the strategies obtain from the SWOT analysis that focuses on human resource improvement.

**Figure 1. The Strategy Map**



## **4.2 Strategy Map**

After determining the strategic objectives, the next step was creating a strategy map. This strategy map describes a series of cause-and-effect relationships among the strategic objectives developed for the four perspectives as can be seen in Figure 1. The strategy map shows that the improvement in workers' skills, competencies, and satisfaction leads to the improvement of their work productivity which results in efficient production, better product quality, and more innovative product. The efficient production process and good products will then have a significant impact on increasing customer satisfaction. A satisfied customer will repurchase and recommend the products to others which then increases the number of customers and the market share. Increased number of customers, customer satisfaction, and market share will have a significant impact on profitability in terms of increasing sales revenue, reducing operating costs, and increasing profit margin.

## **4.3 Weighting the Balanced Scorecard Perspective and Strategic Objectives**

This step is needed in performance measurement in order to assess the importance level of each perspective and strategic objectives. Table 3 presents the result of the weighting perspectives and strategic objectives of the SMEs under study based on the combined pairwise comparison matrices filled by the owner-managers. The local weight indicates the importance value of each strategic objective within its perspective, while the global weight is generated by weighing the local weight and the importance value of the corresponding perspective. Based on the calculation of the weighted value using the ANP model with consistency level less than 0,1 and the help of the Super Decision Version 2.10 software, it can be seen that the most important perspective for the SMEs under study was the customer perspectives with the weighted value of 0,451 and the least important perspective was learning and growth perspective with the value of 0,119.

The weighting of strategic objectives shows that increasing customer satisfaction and profit margin were the most important objectives for SMEs with a value of 0,222 and 0,144 respectively. On the other hand, increasing workers' skills and competencies and product innovation have been the least important objectives with the value of 0,039 and 0,024 respectively.

#### 4.4 Performance Measurement

The owner-managers were asked to fill in the questionnaire about their perceived evaluation of each strategic objective by assigning a value range from 0 to 1 in order to obtain the evaluation values. The calculation of the overall performance measurement using the performance index formula proposed by Quezada et al. (2019) can be seen in Table 3. It shows that the biggest contribution to SMEs' performance under study was the customer perspective with a score of 0,259, followed by financial perspective and internal business process with 0,182 and 0,093 respectively, while learning and growth perspective had the lowest contribution with the score of 0,058.

In terms of strategic objective, increasing customer satisfaction obtained the highest performance score with a total score of 0,167, followed by increasing profit margin and number of customers with a score of 0,108 and 0,070 respectively. Improving product quality and workers' skills and competencies appeared to have the poorest performance with a score of 0,010 and 0,006 respectively. The result of the overall performance measurement of SMEs in this study scored 0,591 or 59,10% which means that the performance of SMEs under study was moderate in category BBB according to the performance valuation scale proposed by Rangkuti (2011) in Table 2.

**Table 2. SMEs Performance Measurement**

Perspective	Weight	Strategic Objective	Local Weight	Global Weight	Evaluation	Score
Financial	0,261	Increase sales revenue	0,240	0,063	0,75	0,047
		Increase profit margin	0,550	0,144	0,75	0,108
		Increase cost efficiency	0,210	0,055	0,50	0,027
Customer	0,451	Increase number of customers	0,311	0,140	0,50	0,070
		Increase customer satisfaction	0,493	0,222	0,75	0,167

		Increase market share	0,196	0,088	0,25	0,022
						0,259
Internal		Improve production efficiency	0,332	0,056	0,75	0,042
Business	0,169	Improve product quality	0,528	0,089	0,50	0,045
Process		Improve product innovation	0,140	0,024	0,25	0,006
						0,093
Learning		Improve workers' skills and competences	0,327	0,039	0,25	0,010
and Growth	0,119	Improve workers' productivity	0,413	0,049	0,50	0,025
		Increase workers' satisfaction	0,260	0,031	0,75	0,023
						0,058
<b>Performance Index</b>						<b>0,591</b>

#### 4.5 Discussion

The aim of this study is to assess the performance of SMEs particularly the micro-businesses that benefit from the government development program using the Balanced Scorecard approach. The research findings enable SMEs to know their current performance and provide important insights on how SMEs can improve their overall performance in order to grow. The results also give valuable input to SMEs' stakeholders particularly the government in evaluating its current development program and generating better policy in the future. This study utilized the established model proposed by Quezada et al. (2019) for the data analysis process, incorporating the SWOT analysis to generate the strategic objectives for the Balanced Scorecard and the ANP model to weigh the perspectives and strategic objectives.

In regards to the research objective, results show that the performance of Indonesian SMEs under study is moderate where customer satisfaction appears to be the most important perspective, where customer satisfaction and profit margin have been considered as the key strategic objectives with good performance scores. This can be explained by the fact that most of the business including SMEs believe that customers hold the key role in the success of the business. Satisfied customers can give good word-of-mouth, make repeat buying, and positively affect profitability (Jaensson & Uiso, 2018). Another possible explanation for this might be the close relationship between SMEs and their customers. As stated by Eggers (2020), the limited customer base of SMEs can be beneficial in which they can build a close and personal relationship with their customers to create more market opportunities. This finding is in agreement with the findings of Giannopoulos et al. (2013) and Hanif and Manarvi (2010) which showed that profitability and customer satisfaction as critical success factors for SMEs.

Another finding of this study reveals that the least important perspective for the SMEs is the learning and growth perspective in which improving workers' skills and competences was one of the lowest performance objectives. This finding supports the idea of SMEs, particularly family-owned SMEs, are typically risk-averse, more conservative, and less focused on growth (Eggers, 2020). This result also agrees with the finding of Panagiotakopoulos (2011), in which the SMEs' owner-managers perceive training has no relation with profitability, therefore improving workers' skills and competencies gains low attention. Another reason for the lack of effort of SMEs to improve workers' skills and competencies is financial constraints (Ahmedova, 2015; Dalziel & Zealand, 2011). Surprisingly, even though it receives low attention from the SMEs, worker satisfaction shows a good evaluation score. This can be explained by the fact that since the SMEs under study are family-owned businesses, they have more informal and less bureaucratic management in which workers have easier access to the management, allowing them to ask questions and participate in the decision-making process which creates a form of attachment to the business and lead into a higher level of satisfaction (Pimentel, 2018).

It is interesting to note among all strategic objectives identified in this study, improving product innovation obtains the lowest score even though its corresponding perspective showed a fairly good importance score. This result is consistent with those of Mawuntu and Aotama (2019) who found that poor product innovation was one of the biggest weaknesses encountered by micro-businesses in the culinary sector in the city of Tomohon. Hanif and Manarvi (2010) also found that local SMEs in Pakistan did not consider innovation in terms of new product and service development as an important factor for business success. However, this finding does not support the previous research by Sondakh (2017) who found that product innovation has a high performance on food industry SMEs in Surabaya, Indonesia as a result of a dynamic competitive environment.

In general, since the performance index of the SMEs under study shows a moderate performance, it means that more improvements need to be undertaken especially by giving more attention to the strategic objectives with a poor performance which are increasing workers' skills and competencies and product innovation. These facts may explain the idea of a short-term view in SMEs in which they mainly focus on the day-to-day operation without investing for future improvement (Garengo et al., 2005).

It is important to also note that these findings imply an inefficient SME development policy or program conducted by the local government. It can be caused by several reasons such as complex bureaucracy and poor administration (Anderson, 2017). These findings supported by the previous studies conducted by Eniola and Entebang (2015) who found that there is a significant relationship between SMEs' performance and government policy, therefore, poor SMEs' performance can be the result of poor implementation of government policies concerning SMEs.

## **5. CONCLUSION**

SMEs as the drivers of economic growth often face growth problems, therefore it is important to assess their performance in order to know how well they have performed and what actions need to be improved to perform better in the future. This study is an attempt to assess the performance of SMEs in Indonesia by selected a group of micro-businesses that benefit from the government development program as a case study. The Balanced Scorecard has been used as the

performance measurement tool in order to assess both financial and non-financial aspects of the SMEs and to have a comprehensive view of the overall performance. The findings reveal that the performance of the SMEs under study is still moderate even though they benefit substantial support from the government. The SMEs show a poor performance in the area of learning and growth and internal business process perspectives. However, they show a fairly good performance concerning the customer and financial perspectives.

## **6. IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH**

The evidence from this study suggests that SMEs need to improve their performance by improving the profit margin and customer base while making corrective actions in product innovation and workers' skills and competencies. It also implies that governments, particularly the local government of the city of Tomohon, must give serious attention in conducting policies and programs to foster the growth of SMEs. Certain programs such as free training to increase workers' skills and competencies, financial aid to foster product innovation, and continuous performance evaluation can be performed to foster SMEs' performance and growth. It is suggested that the government should focus on the issues faced by the SMEs and undertake a continuous SMEs performance measurement.

This is the first study reporting the performance measurement of SMEs that benefit from the government development program using the Balanced Scorecard. This study adds to the existing literature by providing the results of the performance measurement using the Balanced Scorecard within SMEs located in Indonesia. Further study that examines more closely on factors that affecting the performance of SMEs, especially concerning the role of government, would be necessary. It also would be useful to integrate a wider range of respondents from different SMEs' context to advance knowledge in this field.

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